

Message Text

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ACTION PM-03

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INFO CINCPAC

C O N F I D E N T I A L JAKARTA 13489

CINCPAC FOR POLAD

E.O. 11652: GDS

TAGS: MASS, ID

SUBJ: ASSUMPTION BY MAP MATERIEL RECIPIENTS OF PCH
AND T COSTS

REF: A) STATE 241913 DTG 022122Z (JOINT STATE/DEFENSE MSG.)

B. JAKARTA 12125

SUMMARY: I AM CONCERNED THAT PROPOSING TO INDONESIANS
AT THIS TIME THAT THEY PICK UP PCH&T COSTS WILL DO SEVERE
DAMAGE TO ONGOING PROCESS OF PHASING MILITARY ASSISTANCE
FROM A GRANT AID PROGRAM TO ONE INCORPORATING FMS CASH
AND CREDIT. GIVEN MANAGEABLE SIZE OF PCH&T COSTS
INVOLVED IN INDONESIAN MAP, I BELIEVE WISER COURSE IS TO
INCLUDE PCH&T IN FY 75 PROGRAM -- HOWEVER REDUCED, END SUMMARY.

1. DURING PAST SEVERAL YEARS INDONESIANS HAVE ANNUALLY
ABSORBED REDUCTION IN GRANT MAP SUBSTANTIALLY BELOW AMOUNT
PROGRAMMED. IN FY 74 THEY RECEIVED DOUBLE CUT, ONCE
FROM \$25 MILLION PROGRAMMED TO \$17.6 MILLION (PLUS
\$2.2 MILLION PCH&T) AND AGAIN, OWING TO CAMBODIAN
NEEDS, TO \$12.2 MILLION (PCH&T LEFT UNTOUCHED), OR MORE
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THAN THEIR PROPORTIONATE SHARE OF NECESSARY REDUCTION.

IT VIRUTALLY CERTAIN INDONESIANS ARE NOT AWARE THAT PCH&T IN PREVIOUS FISCLA YEARS DOES NOT COVER SHIPMENT OF GOODS ORDERED UNDER THAT YEAR'S PROGRAM AND WILL FIND IT HARD TO UNDERSTAND THAT, DESPITE CLEARLY EXCESSIVE \$2.2 MILLION PCH&T FIGURE FOR FY 74 LVVEN REDUCED PROGRAM, ALL SHIPMENTS MADE NOW MUST BE PAID FOR WITH FY 75 CRA FUNDS.

2. ALTHOUGH THEY CONTINUE FEEL NEED OF CONCESSIONAL ASSISTANCE(REF B) INDONESIAN MILITARY ARE INCREASINGLY TURNING TO FMS CASH AND CREDIT, AND HAVE INDICATED PREFERENCE FOR US EQUIPMENT. BESIDES FMS CREDIT PURCHASE OF C-130B, RECENT REQUEST FOR LETTER OF OFFER FOR 4 ADDITIONAL OV-10 (RAISING TOTAL TO 16) PLUS DEPOT MAINTENANCE PACKAGE, EXPRESSED INTEREST IN PRC 77 CO-PRODUCTION OR PURCHASE, AND FEELERS ON BELL HELICOPTER UH-1 (ALL FMS CASH) ARE SIGNS THAT WE ARE MAKING PROGRESS IN PHASING TRANSITION AWAY FROM PURELY GRANT AID PROGRAM. OUR EFFORTS TO HAVE GOI ASSUME O&M COSTS ARE JUST BEGINNING TO PAY OFF AS INDONESIAN AIR FORCE HAS REQUESTED A LETTER OF OFFER AN ACCEPTANCE ON A SUPPLY SUPPORT AGREEMENT FOR U.S. ORIGIN AIRCRAFT. FURTHER, INDICATIONS ARE THA HANKAM HAS INCLUDED FUNDS FOR O&M COSTS IN THEIR FY 75/76 PROGRAM BEGINNING 1 APRIL 1975.

3. AGAINST THIS BACKGROUND I BELIEVE RAISING WITH INDONESIANS AT THIS TIME PROPOSAL THEY ASSUMEPCH&T COSTS (WHICH THEY THINK ARE ALREADY FUNDED FROM PRIOR YEARS) IS UNWISE. THEREFORE, STRONGLY RECOMMEND WE FUND SUCH EXPENSES AT LEAST THROUGH FY 75. IT WILL BE MUCH EASIER TO EXPLAIN TO GOI REDUCTION IN FY 75 FUNDS FOR NEW MATERIEL THAN IT WILL TO TELL THEM THEY MUST PAY UNEXPECTED EXPENSES FOR PAST PROGRAMS. PRIOR BEGINNING OF NEXT INDONESIAN FISCAL YEAR WE CAN INFORM GOI OF NEW REQUIREMENT, GIVING THEM OPPORTUNITY TO INCLUDE SUFFICIENT FUNDS IN THEIR BUDGET FROM THEN ON.
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